

GALIEN TOWNSHIP
BERRIEN COUNTY, MICHIGAN
FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION
March 31, 2004

AUDITING PROCEDURES REPORT

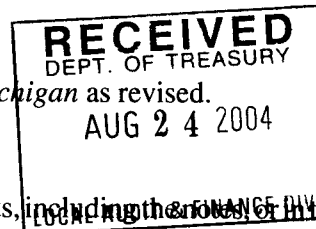
Issued under P.A. 2 of 1965, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name GALIEN TOWNSHIP	County Berrien
Audit Date March 31, 2004	Opinion Date August 5, 2004	Date Accountant Report Submitted to State: August 15, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit's are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more if this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38. 1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the over funding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

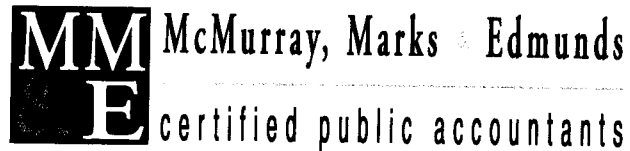
Certified Public Accountant (Firm Name) McMurray, Marks & Edmunds, P.C.			
Street Address 805 Van Brunt Avenue	City St. Joseph	State MI	Zip 49085
Accountant Signature <i>Michael W. Fayler</i>	8/15/04		

TOWNSHIP BOARD MEMBERS

Supervisor	-	Bruce Williams
Clerk	-	Lesta Doyle
Treasurer	-	Jan Gluth
Trustee	-	Kyle Roberts
Trustee	-	Briana Doyle

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Independent Auditor's Report

Members of the Township Board
Galien Township, Michigan

We have audited the accompanying financial statements of each major fund, and the aggregate remaining fund information of Galien Township, Michigan, as of and for the year ended March 31, 2004 as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements do not present government-wide financial statements to display the financial position and changes in financial position of its government activities, and business type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for Galien Township's governmental activities and business type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Galien Township, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended.

The accompanying financial statements also do not include a Management's Discussion and Analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. However, the primary government financial statements do not include the financial data of component units of the *Galien Township Library Board*. The Governmental Accounting Standards Board has determined that this component unit is required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Galien Township's basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

McMurray, Marks & Edmunds

McMurray, Marks & Edmunds
St. Joseph, Michigan
August 5, 2004

GALIEN TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS MARCH 31, 2004

	General	Road	Special Fire	Cemetery	Non-Major Governmental Funds	Total
Assets						
Cash and investments	\$ 253,233	\$ 52,049	\$ 65,751	\$ 103,526	\$ 21,517	\$ 496,076
Receivables	2,818	3,741	3,659	-	1,885	12,103
Due from fiduciary fund	247	6	5	-	3	261
Total Assets	<u>\$ 256,298</u>	<u>\$ 55,796</u>	<u>\$ 69,415</u>	<u>\$ 103,526</u>	<u>\$ 23,405</u>	<u>\$ 508,440</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable and other liabilities	\$ 794	-	-	-	-	\$ 794
Total Liabilities	<u>\$ 794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 794</u>
Fund Balances						
Unreserved and undesignated	\$ 255,504	-	-	-	-	\$ 255,504
Unreserved and undesignated - ambulance	-	-	-	-	23,405	23,405
Unreserved and undesignated - special fire	-	-	69,415	-	-	69,415
Unreserved and undesignated - road	-	55,796	-	-	-	55,796
Unreserved and undesignated - cemetery	-	-	-	103,526	-	103,526
Total Fund Balances	<u>\$ 255,504</u>	<u>\$ 55,796</u>	<u>\$ 69,415</u>	<u>\$ 103,526</u>	<u>\$ 23,405</u>	<u>\$ 507,646</u>
Total Liabilities and Fund Balances	<u>\$ 256,298</u>	<u>\$ 55,796</u>	<u>\$ 69,415</u>	<u>\$ 103,526</u>	<u>\$ 23,405</u>	<u>\$ 508,440</u>

See accompanying notes to the financial statements.

GALIEN TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS MARCH 31, 2004

	General	Road	Special Fire	Cemetery	Non-Major Governmental Funds	Total
Revenues						
Property taxes	\$ 31,762	\$ 34,210	\$ 33,462	\$ -	\$ 17,238	\$ 116,672
Building and electrical permits	13,705	-	-	-	-	13,705
Intergovernmental revenues	82,693	-	-	-	-	82,693
Charges for services	10,461	-	-	-	-	10,461
Cemetery lot sales	-	-	-	-	-	-
Interest income	3,893	286	-	5,216	-	5,216
Miscellaneous	563	-	158	18,538	109	22,984
Total Revenues	\$ 143,077	\$ 34,496	\$ 33,620	\$ 23,754	\$ 17,347	\$ 252,294
Expenditures						
General government	\$ 89,788	\$ -	\$ -	\$ 916	\$ -	\$ 90,704
Public safety	36,077	-	882	-	10,020	46,979
Public works	567	11,954	-	-	-	12,521
Parks and recreation	1,165	-	-	-	-	1,165
Capital outlay	29,042	-	-	-	-	29,042
Total Expenditures	\$ 156,639	\$ 11,954	\$ 882	\$ 916	\$ 10,020	\$ 180,411
Excess (Deficiency) of Revenues over Expenditures	\$ (13,562)	\$ 22,542	\$ 32,738	\$ 22,838	\$ 7,327	\$ 71,883
Other Financing Sources (Uses)						
Operating transfers in	\$ 4,370	\$ -	\$ -	\$ -	\$ -	\$ 4,370
Operating transfers out	-	(112)	(1,263)	(2,286)	(709)	(4,370)
Total Other Financing Sources (Uses)	\$ 4,370	\$ (112)	\$ (1,263)	\$ (2,286)	\$ (709)	\$ -
Excess (Deficiency) of Revenues over (under) Expenditures and Other Financing Sources (Uses)	\$ (9,192)	\$ 22,430	\$ 31,475	\$ 20,552	\$ 6,618	\$ 71,883
Fund Balances - Beginning of year	264,696	33,366	37,940	82,974	16,787	435,763
Fund Balances - End of year	\$ 255,504	\$ 55,796	\$ 69,415	\$ 103,526	\$ 23,405	\$ 507,646

See accompanying notes to the financial statements.

GALIEN TOWNSHIP**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2004**

	<u>Agency Fund- Property Tax</u>
Assets:	
Cash and cash equivalents	<u>\$ 6,874</u>
Liabilities:	
Due to other governmental units	\$ 6,613
Due to governmental funds	<u>261</u>
	<u>\$ 6,874</u>

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Galien Township (the "Township") complies with United States Generally Accepted Accounting Principles ("GAAP"). The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The Township is governed by an elected five-member Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board ("GASB") for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does have component units. See Note 9.

Government Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity is removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township financial statements do not present government wide statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Statements — The government-wide financial statements, if presented, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state shared revenues, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

Major Funds

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Road Fund is the Township's public works fund whose financial resources are specifically set aside for road repair.

The Special Fire Fund is the Township's public safety fund whose financial resources are specifically set aside for fire service.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Cemetery Fund is the Township's cemetery fund whose financial resources are specifically set aside for sale of the cemetery lots.

Other Funds — Additionally, the government reports the following other types of funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township presently maintains a tax fund to record receipts and disbursements of monies for property tax collections.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments — Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables — In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "operating transfers in/out."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For Galien Township taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on March 1. The final collection date is February 28, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan utilizes both constitutional and statutory payments for revenue sharing amounts based on a formula using taxable value and population factors within the Township.

Prepaid Items — Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets — Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. The amount of infrastructure assets that should have been capitalized is not determinable.

Compensated Absences — The Township's policy is to grant approval for vacation, sick or personal leave on an as requested basis, and it does not allow any time to accumulate or accrue; therefore, no liability has been recorded in the financial statements.

Long-Term Obligations — In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Government-wide statements are not presented.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance — In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data — Comparative data is not included in the government's financial statements.

Estimates — The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Accounting Change — Effective April 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34"). Changes to the Township's financial statements as a result of GASB 34 do not reflect the following:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township Government's activities have been provided.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general, road, special fire, and cemetery funds. All annual appropriations lapse at year end.

Each fund's appropriated budget is prepared on a cost center basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Township Board. Within these control levels, management may transfer appropriations without Board approval. There were no amendments made to the budget during the fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds — The Township did not have significant expenditure budget variances.

NOTE 3. PROPERTY TAXES AND PROPERTY TAX CALENDAR

Property taxes are accrued when levied. The Township assesses and collects property taxes for the Township, State of Michigan, the school districts of River Valley and Galien as well as Berrien County. These units are paid their proportionate share of tax monies as collections are made.

Revenue Recognition — The Township recognizes the December 1 property tax levy in the same fiscal year. The County of Berrien, Michigan purchases all delinquent real property taxes and usually remits payment within in the normal 60 day period from its revolving fund. Uncollected personal property taxes are negligible.

NOTE 3. PROPERTY TAXES AND PROPERTY TAX CALENDAR (CONCLUDED)

Tax Levy Dates and Applicable Budget Years — The Township has a fiscal year ending March 31. December 1 of each year is the tax levy date. The tax levy of December 1, 2003 is for the year ending March 31, 2004.

Due Date — Uncollected property taxes become delinquent and attach as an enforceable lien on the related property as of March 1, of the following year.

Millage Rates — The following represents the taxable value and mileage rates for the Township at December 1, 2003:

Taxable Value		Millage Rate			
Homestead	Non-Homestead	General	Library	Special Fire	Road
28,301,658	6,048,688	1.1741	1.4649	1.4649	0.9885

NOTE 4. DEPOSITS

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Funds	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 168,486	\$ 6,874	\$ 175,360
Certificate of deposits	327,590	-	327,590
	<u>\$ 496,076</u>	<u>\$ 6,874</u>	<u>\$ 502,950</u>

The breakdown of deposits for the Township is as follows:

Deposits (checking and savings accounts)	\$ 168,486
Certificate of deposits	327,590
Petty cash and cash on hand	-
	<u>\$ 496,076</u>

The deposits of the Township were reflected in the accounts of the Financial Institution at \$499,999, of which \$438,236 is covered by federal depository insurance. State statutes and the Township's investment policy authorize the government to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the government is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Township's deposits are in accordance with statutory authority.

NOTE 5. INTER-FUND RECEIVABLES AND PAYABLES

A summary of inter-fund receivables and payables of the Township for the year ended March 31, 2004 follows:

Due To/From Other Funds:		
Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Fund	\$ 247
Ambulance Fund	Fiduciary Fund	3
Special Fire Fund	Fiduciary Fund	6
Road Fund	Fiduciary Fund	5
		<u>\$ 261</u>

The inter-fund receivables and payables relate to the remittance of interest earned within the fiduciary fund on behalf of the Township and need to be remitted to the respective government fund.

NOTE 6. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Township's individual major funds, non-major funds, and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	Government Funds	Total
Receivables:		
Property tax	\$ 12,103	\$ 12,103
Trade	-	-
	<u>\$ 12,103</u>	<u>\$ 12,103</u>

Trade payables as of year-end for the Township's individual major funds, non-major, and fiduciary funds in the aggregate, are \$794.

NOTE 7. POST EMPLOYMENT BENEFITS

The Township does not provide post employment benefits for any of its employees.

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Township obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

The Township also carries commercial insurance for all other risks of loss, including workers' compensation, employee health and accident insurance, and errors and omissions. Settled claims, if any, resulting from these risks have not exceeded commercial insurance coverage.

NOTE 9. COMPONENT UNITS

The Galien Township Public Library is located in the Township and provides services to the residents of Galien, Bertrand, and Weesaw Townships in the area of community enrichment through library services. The Library is a separate legal entity. However, the library cannot issue debt nor levy taxes without Township approval. It is operated as a free cooperative public library, and is governed by a six-member board elected by the citizens of Galien Township. In accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards Board ("GASB") No. 14 "The Financial Reporting Entity" the Library is to be reported as a discretely presented component unit, but lack of available financial information precludes the appropriate disclosure.

The Galien Township Public Library issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Galien Township Public Library, 302 N. Main, Galien, MI 49113, or by calling (269) 545-8281.

NOTE 10. EMPLOYEE RETIREMENT PLAN

The Township provides pension benefits for all of its salaried employees over age 18 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township's annual contribution to the plan is equal to 10% of an employee's compensation.

Benefits attributable to Township contributions shall be 100% vested on death, total disability or normal retirement. Upon early retirement or on termination of service, other than because of death, disability or normal retirement, such benefits shall vest upon completion of twenty months of service.

The Township's total payroll in 2004 was \$22,250. The required contributions for fiscal year 2003 for the Township, including any fees, amounted to \$2,250.

NOTE 11. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 1999, the following schedule shows the breakdown of the related revenues and expenditures:

	<u>For the Year Ended 3/31/2004</u>
Revenues	
Fee charges	\$ 13,705
Expenditures	
Contracted services	(13,631)
Revenues over Expenditures	<u>\$ 74</u>
Balance at April 1, 2003	-
Balance at March 31, 2004	<u><u>\$ 74</u></u>

**REQUIRED SUPPLEMENTAL
INFORMATION**

GALIEN TOWNSHIP

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
MARCH 31, 2004

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ 24,000	\$ 24,000	\$ 31,762
Licenses and permits	8,300	8,300	13,705
Intergovernmental revenues:			
State	80,000	80,000	71,114
Federal	-	-	11,579
Charges for services	8,000	8,000	10,461
Interest income	25,003	25,003	3,893
Miscellaneous	2,000	2,000	563
Total Revenues	<u>\$ 147,303</u>	<u>\$ 147,303</u>	<u>\$ 143,077</u>
Expenditures			
General government:			
Township board	26,550	26,550	29,388
Supervisor's office	7,350	7,350	7,304
Treasurer's office	12,650	12,650	12,115
Elections	-	-	593
Township hall & grounds	7,900	7,900	19,938
Assessor	4,000	4,000	8,827
Clerk's office	10,150	10,150	9,661
Cemetery	15,580	15,580	1,962
Public safety:			
Fire	27,050	27,050	19,474
Board of review	-	500	500
Ambulance	4,000	4,000	-
Zoning board and appeals	1,200	-	88
Building inspector	250	250	16,015
Public works:			
Highways and streets	13,800	13,800	567
Parks & recreation	1,405	1,405	1,165
Capital outlay	-	-	29,042
Total Expenditures	<u>\$ 131,885</u>	<u>\$ 131,185</u>	<u>\$ 156,639</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 15,418</u>	<u>\$ 16,118</u>	<u>\$ (13,562)</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ -	\$ -	\$ 4,370
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,370</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Other Financing Sources	<u>\$ 15,418</u>	<u>\$ 16,118</u>	<u>\$ (9,192)</u>
Fund Balances - Beginning of year	264,696	264,696	264,696
Fund Balances - End of year	<u>\$ 280,114</u>	<u>\$ 280,814</u>	<u>\$ 255,504</u>

GALIEN TOWNSHIP**REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — ROAD FUND
MARCH 31, 2004**

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ -	\$ -	\$ 34,210
Interest income	-	-	286
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,496</u>
Expenditures			
Public works:			
Repairs and maintenance	\$ -	\$ -	\$ 11,954
County drain	-	-	-
Utilities	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,954</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,542</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	(112)
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (112)</u>
Excess of Revenues over Expenditures and Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,430</u>
Fund Balances - Beginning of year	<u>33,366</u>	<u>33,366</u>	<u>33,366</u>
Fund Balances - End of year	<u><u>\$ 33,366</u></u>	<u><u>\$ 33,366</u></u>	<u><u>\$ 55,796</u></u>

GALIEN TOWNSHIP**REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — SPECIAL FIRE FUND
MARCH 31, 2004**

	Original Budget	Final Amended Budget	Actual
Revenues			
Property taxes	\$ -	\$ -	\$ 33,462
Interest income	-	-	158
Miscellaneous	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,620</u>
Expenditures			
Public safety:			
Miscellaneous	\$ -	\$ -	\$ 882
Capital outlay	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,738</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	(1,263)
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,263)</u>
Excess of Revenues over Expenditures and Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,475</u>
Fund Balances - Beginning of year	<u>37,940</u>	<u>37,940</u>	<u>37,940</u>
Fund Balances - End of year	<u><u>\$ 37,940</u></u>	<u><u>\$ 37,940</u></u>	<u><u>\$ 69,415</u></u>

GALIEN TOWNSHIP**REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — CEMETERY FUND
MARCH 31, 2004**

	Original Budget	Final Amended Budget	Actual
Revenues			
Charges for services	\$ -	\$ -	\$ 5,216
Interest income	-	-	18,538
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,754</u>
Expenditures			
General Government:			
Miscellaneous	\$ -	\$ -	\$ 900
Bank charges	-	-	16
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,838</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	(2,286)
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,286)</u>
Excess of Revenues over Expenditures and Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,552</u>
Fund Balances - Beginning of year	82,974	82,974	82,974
Fund Balances - End of year	<u><u>\$ 82,974</u></u>	<u><u>\$ 82,974</u></u>	<u><u>\$ 103,526</u></u>

**OTHER SUPPLEMENTAL
INFORMATION**

GALIEN TOWNSHIP**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2004**

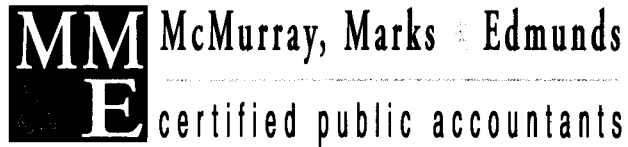
	<u>Ambulance</u>	<u>Total Non-Major Govern- mental Funds</u>
Assets		
Cash and investments	\$ 21,517	\$ 21,517
Receivables	1,885	1,885
Due from fiduciary fund	3	3
Total Assets	<u>\$ 23,405</u>	<u>\$ 23,405</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ -
Due to other governmental funds	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balance		
Unreserved and undesignated - ambulance	\$ 23,405	\$ 23,405
Total Fund Balance	<u>\$ 23,405</u>	<u>\$ 23,405</u>
Total Liabilities and Fund Balance	<u>\$ 23,405</u>	<u>\$ 23,405</u>

GALIEN TOWNSHIP**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2004**

	<u>Ambulance</u>	<u>Total Non-Major Govern- mental Funds</u>
Revenues		
Property taxes	\$ 17,238	\$ 17,238
Interest income	109	109
Total Revenues	<u>\$ 17,347</u>	<u>\$ 17,347</u>
Expenditures		
Public safety:		
Ambulance	\$ 10,020	\$ 10,020
Total Expenditures	<u>\$ 10,020</u>	<u>\$ 10,020</u>
Excess of Revenues over Expenditures	<u>\$ 7,327</u>	<u>\$ 7,327</u>
Other Financing Sources (Uses)		
Operating transfers in	\$ -	\$ -
Operating transfers out	(709)	(709)
Total Other Financing Sources (Uses)	<u>\$ (709)</u>	<u>\$ (709)</u>
Excess of Revenues over Expenditures and Other Financing Sources	<u>\$ 6,618</u>	<u>\$ 6,618</u>
Fund Balances - Beginning of year	16,787	16,787
Fund Balances - End of year	<u><u>\$ 23,405</u></u>	<u><u>\$ 23,405</u></u>

GALIEN TOWNSHIP**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
MARCH 31, 2004**

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Assets				
Cash	\$ 451	\$ 853,194	\$ 846,771	\$ 6,874
Liabilities				
Due to governmental funds	\$ 241	\$ 103,812	\$ 103,792	\$ 261
Due to other governmental units	210	701,813	695,410	6,613
Total Liabilities	\$ 451	\$ 805,625	\$ 799,202	\$ 6,874



To the Board of
Galien Township, Michigan

As a regular part of our audit of Galien Township, Michigan, (the "Township") for the year ended March 31, 2004, we reviewed the accounting and internal control procedures of the Township that we considered relevant to criteria established by auditing standards generally accepted in the United States of America. Based upon this review, we would like to make the following comments and recommendations:

CURRENT YEAR'S RECOMMENDATIONS:

Segregation of Duties

The current size of the Township's accounting and administrative staff precludes certain internal controls that we would prefer if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remains involved in the financial affairs of the Township to provide oversight and independent review functions.

Formal Budget Adoption

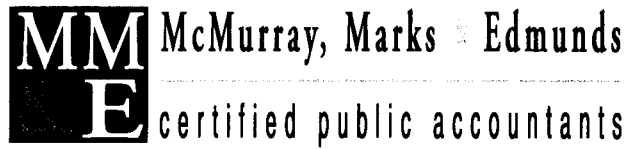
Currently, the Township Board has not adopted a formal budget for the following Governmental Funds: Road, Fire or Cemetery funds in compliance with Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended) and Governmental Accounting Standards Board Statement No. 34. We recommend that budgets be drafted and approved in the same manner the current general budget is adopted to ensure accountability and a benchmark to measure these revenues and expenditures.

We would be happy to discuss these recommendations and comments with you at your convenience. We would also like to express our appreciation for the courtesy and cooperation extended to us during the engagement.

This report is intended solely for the information and use of the Township Board, management, and others associated with the Township.

McMurray, Marks & Edmunds

McMurray, Marks & Edmunds
St. Joseph, Michigan
August 5, 2004



August 5, 2004

To the Trustees
Galien Township

We have audited the financial statements of Galien Township for the year ended March 31, 2004, and have issued our report thereon dated August 5, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 24, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Galien Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Galien Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by Galien Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no estimates affecting the financial statements during the year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Galien Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Galien Township, either individually or in the aggregate, indicate matters that could have a significant effect on Galien Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Galien Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the Township Board and management of Galien Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McMurray, Marks & Edmunds